



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
BATH COUNTY FISCAL COURT**

**Fiscal Year Ended June 30, 2001**

**EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE BATH COUNTY FISCAL COURT**

**Fiscal Year Ended June 30, 2001**

The Auditor of Public Accounts has completed the Bath County Fiscal Court audit for fiscal year ended June 30, 2001. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

#### **Financial Condition:**

Fund balances decreased by \$28,652 from the prior fiscal year, resulting in a cash surplus of \$632,698 as of June 30, 2001. Revenues increased by \$143,505 from the prior year and disbursements increased by \$240,364.

#### **Debt Obligations:**

Total bonded debt principal as of June 30, 2001, was \$229,000. Future collections of \$215,850 are needed over the next eight years to pay all bonded debt principal and interest.

Capital lease principal agreements totaled \$22,000 as of June 30, 2001. Future principal and interest payments of \$22,786 are needed to meet these obligations.

#### **Deposits:**

The fiscal court's deposits were insured and collateralized by bank securities or bonds.



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**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Ray Bailey, Bath County Judge/Executive  
Members of the Bath County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Bath County, Kentucky, as of June 30, 2001, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Bath County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Bath County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky which is a basis of accounting other than accounting principles generally accepted in the United States of America. The modified cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising primarily from cash transactions as of June 30, 2001, of Bath County, Kentucky, and the revenues received and expenditures paid for the year then ended, in conformity with the modified cash basis of accounting described above.

In accordance with Government Auditing Standards, we have also issued our report dated November 5, 2001, on our consideration of Bath County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Ray Bailey, Bath County Judge/Executive  
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The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Bath County, Kentucky. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
November 5, 2001



BATH COUNTY OFFICIALS

Fiscal Year Ended June 30, 2001

**Fiscal Court Members:**

Ray Bailey	County Judge/Executive
Vernon Crouch	Commissioner
E. H. Snedegar	Commissioner
Billy Martin	Commissioner

**Other Elected Officials:**

Donald Maze	County Attorney
Palmer Crouch	Jailer
Glen Thomas	County Clerk
Nancy Crouch	Circuit Court Clerk
Randall Armitage	Sheriff
Paul Goodpaster	Property Valuation Administrator
Robbie Powell	Coroner

**Appointed Personnel:**

Brenda Thomas	County Treasurer
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STATEMENT OF ASSETS, LIABILITIES,  
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS



BATH COUNTY  
STATEMENT OF ASSETS, LIABILITIES,  
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 2001

Assets and Other Resources

Assets

General Fund Type

General Fund:			
Cash	\$	139,710	
Road and Bridge Fund:			
Cash		385,522	
Jail Fund:			
Cash		449	
Local Government Economic Assistance Fund:			
Cash		27,978	
Payroll Revolving Account - Cash		<u>529</u>	\$ 554,188

Special Revenue Fund Type

911 Fund:			
Cash	\$	11,239	
Scattered Site Homebuyer Fund:			
Cash		<u>100</u>	11,339

Debt Service Fund Type

Building Commission Fund:			
Cash	\$	25,905	
Depreciation Reserve		<u>41,795</u>	67,700

Other Resources

General Fund Type

General Fund:			
Amounts to be Provided in Future Years for Kentucky			
Association of Counties Leasing Trust Agreement Principal (Note 5)			22,000

The accompanying notes are an integral part of the financial statements.

BATH COUNTY  
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES  
 ARISING FROM CASH TRANSACTIONS  
 June 30, 2001  
 (Continued)

Assets and Other Resources (Continued)

Other Resources (Continued)

Debt Service Fund Type

Building Commission Fund:

Amounts to be Provided in Future Years for

Bond Principal Payments	\$	161,300
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Total Assets and Other Resources	\$	<u>816,527</u>
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Liabilities and Fund Balances

Liabilities

General Fund Type

General Fund:

Kentucky Association of Counties Leasing Trust Agreement (Note 5)	\$	22,000
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Payroll Revolving Account	<u>529</u>	\$	22,529
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Debt Service Fund Type

Building Commission Fund:

Bonds Payable (Note 4)	229,000
------------------------	---------

Fund Balances

Reserved:

Special Revenue Fund Type

911 Fund	\$	11,239	
Scattered Site Homebuyer Fund		<u>100</u>	11,339

The accompanying notes are an integral part of the financial statements.

BATH COUNTY  
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES  
 ARISING FROM CASH TRANSACTIONS  
 June 30, 2001  
 (Continued)

Liabilities and Fund Balances (Continued)

Fund Balances (Continued)

Unreserved:

General Fund Type

General Fund	\$	139,710	
Road and Bridge Fund		385,522	
Jail Fund		449	
Local Government Economic Assistance Fund		<u>27,978</u>	<u>\$ 553,659</u>
Total Liabilities and Fund Balances			<u>\$ 816,527</u>

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

BATH COUNTY  
STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 2001

	General Fund Type			
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 2,251,045	\$ 672,479	\$ 909,775	\$ 55,124
Other Financing Sources:				
Transfers In	318,448	128,868		181,500
Kentucky Advance Revenue Program	399,180	399,180		
Total Cash Receipts	<u>\$ 2,968,673</u>	<u>\$ 1,200,527</u>	<u>\$ 909,775</u>	<u>\$ 236,624</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 2,223,672	\$ 632,403	\$ 645,824	\$ 239,092
Other Financing Uses:				
Transfers Out	318,448	189,580	128,868	
Bonds-				
Principal Paid	23,000			
Interest Paid	12,025			
Kentucky Association of Counties Leasing Trust - Principal	21,000	21,000		
Kentucky Advance Revenue Program Repaid	399,180	399,180		
Total Cash Disbursements	<u>\$ 2,997,325</u>	<u>\$ 1,242,163</u>	<u>\$ 774,692</u>	<u>\$ 239,092</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ (28,652)	\$ (41,636)	\$ 135,083	\$ (2,468)
Cash Balance - July 1, 2000	<u>661,350</u>	<u>181,346</u>	<u>250,439</u>	<u>2,917</u>
Cash Balance - June 30, 2001	<u><u>\$ 632,698</u></u>	<u><u>\$ 139,710</u></u>	<u><u>\$ 385,522</u></u>	<u><u>\$ 449</u></u>

The accompanying notes are an integral part of the financial statements.

BATH COUNTY  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES  
Fiscal Year Ended June 30, 2001  
(Continued)

General Fund Type		Special Revenue Fund Type			Debt Service Fund Type
Local Government Economic Assistance Fund	Courthouse Renovation Fund	911 Fund	Scattered Site Homebuyer Fund	Forest Fire Protection Fund	Building Commission Fund
\$ 34,576	\$ 101,199	\$ 102,997	\$ 304,186	\$	\$ 70,709
	6,904			1,176	
<u>\$ 34,576</u>	<u>\$ 108,103</u>	<u>\$ 102,997</u>	<u>\$ 304,186</u>	<u>\$ 1,176</u>	<u>\$ 70,709</u>
\$ 31,091	\$ 215,979	\$ 115,488	\$ 304,186	\$ 1,176	\$ 38,433
					23,000
					12,025
<u>\$ 31,091</u>	<u>\$ 215,979</u>	<u>\$ 115,488</u>	<u>\$ 304,186</u>	<u>\$ 1,176</u>	<u>\$ 73,458</u>
\$ 3,485	\$ (107,876)	\$ (12,491)	\$	\$	\$ (2,749)
24,493	107,876	23,730	100		70,449
<u>\$ 27,978</u>	<u>\$ 0</u>	<u>\$ 11,239</u>	<u>\$ 100</u>	<u>\$ 0</u>	<u>\$ 67,700</u>

The accompanying notes are an integral part of the financial statements.

BATH COUNTY  
NOTES TO FINANCIAL STATEMENTS

June 30, 2001

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Bath County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Building Commission Fund as part of the reporting entity. Furthermore, management has included this fund in their budget.

The Building Commission is a legally separate entity established to provide long term debt service for the Fiscal Court. The Building Commission's governing body consists entirely of Fiscal Court members. Therefore management must include the Building Commission as a component unit, and the Building Commission's financial activity has been blended with that of the Fiscal Court.

Additional - Bath County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Bath County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Bath County Fiscal Court's Fund Types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Bath County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund (LGEA), and the Courthouse Renovation Fund.

BATH COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The 911 Fund, Scattered Site Homebuyer Fund, and the Forest Fire Protection Fund of the Fiscal Court are reported as Special Revenue Fund Types.

3) Debt Service Fund Type

Debt Service Fund Type accounts for the accumulation of resources for the payment of general long-term debt principal and interest and include funds for the Building Commission Fund. Debt service is provided through annual payments from this Debt Service Fund Type in the amount of the debt service requirements for the year.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years.

D. Legal Compliance - Budget

The Bath County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

The Department for Local Government does not require the Building Commission Fund (Debt Service Fund Type) to be budgeted. However, Bath County Fiscal Court has budgeted this fund to account for bond indentures and other relevant contractual provisions requiring specific payments to and from this fund annually.

BATH COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.17 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

BATH COUNTY  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2001  
 (Continued)

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2001, the county's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the county as beneficiary/obligee on the bond.

Note 4. Long-Term Debt

On January 1, 1981, the Bath County Building Commission issued \$530,000 of revenue bonds for the purpose of courthouse renovation. The bonds require that an annual interest and principal payment be made on January 1 of each year commencing January 1, 1981. The bonds will mature January 1, 2009. As of June 30, 2001, the principal amount outstanding is \$229,000. Bond payments for the remaining years are:

<u>Fiscal Year</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2001-2002	\$ 11,450	\$ 24,000
2002-2003	10,250	25,000
2003-2004	9,000	26,000
2004-2005	7,700	28,000
2005-2006	6,300	29,000
Through 2009	9,850	97,000
Totals	<u>\$ 54,550</u>	<u>\$ 229,000</u>

BATH COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Continued)

Note 5. Kentucky Association of Counties Leasing Trust Agreement - Capital Lease

Bath County entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program for an addition to the Health Department building. The agreement requires variable monthly payments for 120 months to be paid in full January 20, 2002. The principal balance of the agreement was \$22,000 as of June 30, 2001.

<u>Fiscal Year</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2001-2002	\$ 786	\$ 22,000

Note 6. Lease-Purchase Agreements

The county has entered into the following lease-purchase agreements:

<u>Description</u>	<u>Purchase Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Principal Balance 06/30/2001</u>
Voting Machines	09/29/1997	10/20/2007	4.50	\$ 30,307
Vehicles	03/08/2001	01/20/2004	3.27	\$ 22,000



COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE



BATH COUNTY  
COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 2001

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 1,208,990	\$ 672,479	\$ (536,511)
Road and Bridge Fund	826,004	909,775	83,771
Jail Fund	46,913	55,124	8,211
Local Government Economic Assistance Fund	38,500	34,576	(3,924)
Courthouse Renovation Fund	101,625	101,199	(426)
<u>Special Revenue Fund Type</u>			
911 Fund	94,800	102,997	8,197
Scattered Site Homebuyer Fund	450,000	304,186	(145,814)
<u>Debt Service Fund Type</u>			
Building Commission Fund	<u>68,000</u>	<u>70,709</u>	<u>2,709</u>
Totals	<u>\$ 2,834,832</u>	<u>\$ 2,251,045</u>	<u>\$ (583,787)</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 2,834,832
Add: Budgeted Prior Year Surplus			512,125
Less: Other Financing Uses			<u>456,280</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 2,890,677</u>

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SCHEDULE OF OPERATING REVENUE



BATH COUNTY  
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 2001

Revenue Categories	<u>GOVERNMENTAL FUND TYPES</u>			
	Totals (Memorandum Only)	General Fund Type	Special Revenue Fund Type	Debt Service Fund Type
Taxes	\$ 314,946	\$ 314,946	\$	\$
In Lieu Tax Payments	2,539	2,539		
Excess Fees	40,343	40,343		
License and Permits	57,151	57,151		
Intergovernmental Revenues	1,597,397	1,226,501	304,186	66,710
Charges for Services	15,767	15,767		
Miscellaneous Revenues	168,067	66,012	102,055	
Interest Earned	54,835	49,894	942	3,999
Total Operating Revenue	<u>\$ 2,251,045</u>	<u>\$ 1,773,153</u>	<u>\$ 407,183</u>	<u>\$ 70,709</u>

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COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES



BATH COUNTY  
COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 2001

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 499,474	\$ 479,332	\$ 20,142
Protection to Persons and Property	308,073	289,420	18,653
General Health and Sanitation	327,364	124,340	203,024
Social Services	13,200	9,141	4,059
Recreation and Culture	48,971	40,794	8,177
Roads	792,020	586,856	205,164
Bus Service	8,827	8,826	1
Debt Service	8,172	7,283	889
Administration	267,699	218,397	49,302
Total Operating Budget - General Fund Type	\$ 2,273,800	\$ 1,764,389	\$ 509,411
Other Financing Uses:			
Borrowed Money-			
Kentucky Advanced Revenue Program - Principal	399,180	399,180	
Capital Lease Agreement- Principal on Lease	21,000	21,000	
TOTAL BUDGET - GENERAL FUND TYPE	<u>\$ 2,693,980</u>	<u>\$ 2,184,569</u>	<u>\$ 509,411</u>

BATH COUNTY  
 COMPARATIVE SCHEDULE OF  
 FINAL BUDGET AND BUDGETED EXPENDITURES  
 Fiscal Year Ended June 30, 2001  
 (Continued)

SPECIAL REVENUE FUND TYPE			
Expenditure Categories	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 1,177	\$	\$ 1,177
Protection to Persons and Property	108,207	108,115	92
Social Services	450,000	304,186	145,814
Administration	8,593	8,549	44
TOTAL BUDGET - SPECIAL REVENUE FUND TYPE	<u>\$ 567,977</u>	<u>\$ 420,850</u>	<u>\$ 147,127</u>

DEBT SERVICE FUND TYPE			
Expenditure Categories	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 42,273	\$ 35,733	\$ 6,540
Administration	6,627	2,700	3,927
Total Operating Budget - Debt Service Fund Type	\$ 48,900	\$ 38,433	\$ 10,467
Other Financing Uses:			
Bonds-			
Principal Paid	23,500	23,000	500
Interest Paid	12,600	12,025	575
TOTAL BUDGET - DEBT SERVICE FUND TYPE	<u>\$ 85,000</u>	<u>\$ 73,458</u>	<u>\$ 11,542</u>

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Ray Bailey, Bath County Judge/Executive  
Members of the Bath County Fiscal Court

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Bath County, Kentucky, as of and for the year ended June 30, 2001, and have issued our report thereon dated November 5, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Bath County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Bath County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and the federal awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
November 5, 2001



REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133





EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Ray Bailey, Bath County Judge/Executive  
Members of the Bath County Fiscal Court

Report On Compliance With Requirements  
Applicable To Each Major Program And On Internal Control  
Over Compliance In Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Bath County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2001. Bath County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Bath County's management. Our responsibility is to express an opinion on Bath County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Bath County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Bath County's compliance with those requirements.

In our opinion, Bath County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001.

Report On Compliance With Requirements  
Applicable To Each Major Program And On Internal Control  
Over Compliance In Accordance With OMB Circular A-133  
(Continued)

Internal Control Over Compliance

The management of Bath County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Bath County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than the specified parties.

Respectfully submitted,



Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed –  
November 5, 2001

## FINDINGS AND QUESTIONED COSTS



BATH COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 2001

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Bath County.
2. No reportable conditions relating to the audit of the financial statements are reported in the Independent Auditor's Report.
3. No instances of noncompliance material to the financial statements of Bath County were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal awards programs are reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal awards programs for Bath County expresses an unqualified opinion.
6. There are no audit findings relative to the major federal awards programs for Bath County reported in Part C of this schedule.
7. The program tested as a major program was the Community Development Block Grant: Scattered Site Homebuyer Project.
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Bath County was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

REPORTABLE CONDITIONS

None.

NONCOMPLIANCES

None.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM  
AUDIT

None.

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS



BATH COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2001

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
Cash Programs:		
U.S. Department of Housing and <u>Urban Development</u>		
Passed-Through State Department of Local Government:		
State Administered Small Cities Program (CFDA #14.228) Community Development Block Grants-		
Scattered Site Homebuyer Project	B-98-DC-21-0001	\$ 304,186
<u>U. S. Federal Emergency Management Agency</u>		
Passed-Through State Department of Military Affairs:		
Disaster and Emergency Assistance Grants- Coordinator Salary (CFDA #83.503)		
	N/A	<u>11,919</u>
Total Cash Expenditures of Federal Awards		<u>\$ 316,105</u>

BATH COUNTY  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2001

Note 1 - Basis of Presentation

This schedule is presented on a modified cash basis.

Note 2 - As required by this grant agreement, all program moneys received by the recipient after the completion of all recipient grant activities shall be used by the recipient for community or economic development activities eligible for assistance under Title I of the Housing and Community Development Act of 1974, so specified in the Commonwealth of Kentucky's Community Development Block Grant Eligible Activities Policy Statement.

**CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

**BATH COUNTY FISCAL COURT**

**Fiscal Year Ended June 30, 2001**

CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM  
BATH COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2001

The Bath County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

  
\_\_\_\_\_  
Bath County Judge/Executive

  
\_\_\_\_\_  
Bath County Treasurer

